

DIRECTIVE

WELFARE-TO-WORK

Number: WtWD02-3

Date: March 8, 2002
69:136:is:4944

TO: WELFARE-TO-WORK COMMUNITY

SUBJECT: WtW GRANT PROGRAM CLOSEOUT GUIDE

EXECUTIVE SUMMARY:

Purpose:

This directive provides guidance for the closeout process of the Welfare-to-Work (WtW) Grant program.

Scope:

This closeout process applies to the Local Workforce Investment Areas (LWIA) and the subgrantees of WtW grant funds.

Effective Date:

This directive is effective on date of issue.

REFERENCES:

- Title 20 Code of Federal Regulations (CFR) Part 645: WtW Grants; Interim Final Rule
- Title 29 CFR Part 95: Grants and Agreements (Sections 95.27, 95.2, 95.71, 95.72, and 95.73)
- Title 29 CFR Part 96: Audit Requirements for Grants, Contracts, and Other Agreements (Section 96.54)
- Title 29 CFR Part 97: Uniform Administrative Requirements for Grants and Cooperative Agreements (Sections 97.3, 97.22, 97.31, 97.33, 97.50, 97.51, and 97.52)

STATE-IMPOSED REQUIREMENTS:

This directive contains State-imposed requirements. These requirements are indicated by ***bold, italic*** type.

FILING INSTRUCTIONS:

This directive supersedes Directive WD01-1, dated January 8, 2001, and finalizes Draft Directive WtWDD-2, issued for comment on January 30, 2002. Retain this directive until further notice.

BACKGROUND:

California received the first year federal WtW grant in State Program Year (PY) 1997-1998 and second year grant in State PY 1999-2000. Eighty-five (85) percent of each federal grant was passed through to the Local Workforce Investment Boards (LWIB) while 15 percent of each grant was held as Governor's discretionary funds for special projects. Funds allocated to the LWIAs through the 85 percent formula process for PY 1997-98 are available for expenditure through June 29, 2003. Funds allocated for PY 1999-2000 are available for expenditure through July 15, 2004. The 15 percent funds are available for expenditure based on the term specified in the Special Projects subgrant agreement.

The State as well as subgrantees of WtW grant funds are required to meet administrative requirements, including financial management standards and closeout requirements established in Title 29 CFR Parts 95 and 97. Title 29 CFR Sections 95.27 and 97.22 establish the cost principles for determining costs applicable to grants, contracts, and other agreements entered into with federally recognized Indian tribes, nonprofit organizations, as well as State and local governments. These requirements and principles should be followed for all activities, including closeout activities, with particular attention given to the avoidance of cost overrides or deficits. All cost overrides or deficits realized for operational and closeout activities must be paid by the subgrantee.

POLICY AND PROCEDURES:

Policy:

Closeout requirements for the WtW Grant Program are contained in Title 29 CFR Section 97.50 and Section 95.71. Both 85 percent and 15 percent WtW grant subgrantees are required to submit a closeout package in accordance with the instructions contained in the *WtW Grant Program Closeout Guide (Attachment)*. It is also the responsibility of the subgrantee to issue closeout instructions to its contractors, providing sufficient time to conduct an orderly closeout of the WtW master subgrant.

All subgrantees receiving WtW 15 Percent funds must submit an End-of-Project Report within 60 days from the project ending date. This report is included in the attached WtW Grant Program Closeout Guide. This report is separate from the closeout package and should be sent to your assigned program manager.

The purpose of the End-of-Project Report is to supplement the participant and expenditure reports and to allow subgrantees to identify the barriers and achievements they experienced that cannot be collected through the reporting process. It also provides an opportunity for subgrantees to further demonstrate the project's effectiveness through anecdotal information. This report will assist the State in identifying common problems and tailoring our future technical assistance.

Procedures:

Revisions to a Closed Subgrant

All WtW grant allowable costs must be accrued and charged to the grant prior to the ending date of the subgrant. Costs incurred for participant services after the ending date of the subgrant term will be disallowed.

The closeout of a subgrant does not relieve the subgrantee's obligation to return any funds received as a result of late refunds, corrections, or other transactions. As outlined at Title 29 CFR 97.50(c)(2) and Title 29 CFR 95.73, all funds returned due to a late refund, correction or other transactions should be returned to the grantee immediately by mail. Once a federal grant has closed and closeout reports for WtW grantees have been filed, subgrantees must submit revised closeout documents anytime a change takes place. A letter needs to accompany any revisions and must include the grant number, program or fiscal year, the source or nature of the refund, and any other pertinent information to assist in properly accounting for the refund.

State Approved Local Training (SALT) Funds

The SALT funds were provided to WtW subgrantees for staff training requirements. These funds must be reported as part of the closeout package. The SALT funds require a separate Closeout Status of Cash and Closeout Summary of Expenditures.

Cash Draws

Subgrantees should closely monitor their cash draws to ensure the total funds drawn do not exceed total expenditures. **Once a closeout package has been submitted, subgrantees have 30 days to complete any cash draws.** Failure to do so may result in possible disallowed costs which would require LWIAs or Subgrantees to pay for disallowed costs from other fund sources.

Disposition of Supplies (Instructions are the same for all grantees)

Supplies are defined as items with a useful life of one year or less and a unit acquisition cost of less than \$5,000. Supplies include computers, telephones, calculators, furniture, copy machines, fax machines and other supplies such as pens, paper etc. When reporting supplies on the WtW Closeout Inventory worksheet (included in attachment), all similar supplies should be grouped together by category for inventory and fair market value purposes (e.g., computers, furniture, etc.).

If there is an inventory of unused supplies exceeding \$5,000 in total aggregate value upon termination or completion of the project or program and the supplies are not needed for any other federally-sponsored project or program, the recipient shall retain the supplies for use on nonfederally sponsored activities or sell them. Any actual and reasonable costs to sell these (maximum \$500) may be deducted from the fair market value. The balance resulting from this sale must be submitted within 30 days to the address provided in this directive. The fair market value of the supplies shall be computed in the same manner as for equipment. Instructions on how to calculate the

fair market value are contained in page 6 of this directive. If the inventory of unused supplies is less than \$5,000 in aggregate, the grantee may retain the supplies with no further obligation.

Disposition of Equipment

Governmental Agencies

For equipment with a fair market value greater than \$5,000, recipients of WtW funds shall take the following steps (Title 29 CFR Part 97.32):

- The recipient may use the equipment in the program or project for which it was acquired as long as it is needed, whether or not the project or program continues to be supported by federal funds.
- If the equipment is no longer needed by the original program/project, the equipment may be used in other activities currently or previously supported by a federal agency.
- If the equipment is no longer needed by the program/project or for other activities currently or previously supported by a federal agency, the recipient may retain or sell the equipment and reimburse the state for the State's share of the equipment. The compensation due to the state is determined by multiplying the current fair market value or proceeds from the sale by the State's percentage share of the equipment. Actual and reasonable selling and fix-up expenses (maximum \$500) may be deducted from the proceeds of the sale. The balance of funds must be submitted within 30 days to the address provided in this directive.

Funds received from the sale of unused equipment should be sent to the following address:

Employment Development Department
Fiscal Programs Division
P.O. Box 826217, MIC 70
Sacramento CA 94230-6217

For equipment with a fair market value of less than \$5,000, recipients of WtW funds should take the following steps:

- Retain, sell or dispose of the equipment and nothing needs to be reported to the State. Keep a disposition record for any such transactions.

Community Based Organizations, Institutions of higher education, hospitals, other nonprofit and commercial entities:

For equipment with a fair market value greater than \$5,000 recipients of WtW funds should take the following steps (Title 29 CFR Part 95.34):

- The recipient may use the equipment in the program or project for which it was acquired as long as needed, whether or not the project or program continues to be supported by federal funds.

- If the equipment is no longer needed by the original program/project, the recipient shall use the equipment in connection with its other federally sponsored activities, in the following order of priority:
 1. Activities sponsored by the State agency that funded the original project.
 2. Activities sponsored by other federal awarding agencies.
- If the equipment is no longer needed by the program/project or used in connection with other federally sponsored activities, the recipient may retain the equipment for other uses provided compensation is made to the State. The amount of compensation shall be computed by applying the percentage of the WtW grant participation in the original cost of the equipment to the current fair market value of the equipment. Recipients of subgrants are permitted to deduct actual reasonable selling and fix-up expenses (maximum \$500) from the proceeds of the sale. The balance of funds should be sent within 30 days to the following address:

Employment Development Department
Fiscal Programs Division
P.O. Box 826217, MIC 70
Sacramento CA 94230-6217

- If the recipient has no further use of the equipment and wishes to dispose of the equipment, they must request disposition instructions from the State.

For equipment with a fair market value of less than \$5,000 recipients may:

- Retain, sell or dispose of the equipment and nothing needs to be reported to the State. Keep a disposition record for any such transactions.

Calculation of “Fair Market” Value

The selling price of an item that is sold through auction, advertisement, or a dealer is the fair market value of the item regardless of any prior estimates. An item that is not sold but retained by the entity has a fair market value based on similar items that are offered for sale, using the selling price if known. Methods for determining fair market value include, but are not limited to:

- Auctions
- Classified advertisements for similar used items
- Dealers
- Licensed appraisers

For automobiles, trucks, and vans, the standard authority on the value of used vehicles is the Kelley Blue Book. Depreciated value is not fair market value, nor a determining factor in establishing the fair market value.

Record Retention

Subgrantees must retain all records of each allocation for a period of three years from the date of their last expenditure report submitted to the Workforce Investment Division. If any litigation, claim, or audit is started before the expiration of the three-year period, the records must be retained until all findings have been resolved and final action taken. All equipment records are retained from the date of the disposition, replacement, or transfer. Program income transaction records are retained from the end of the subgrantee's fiscal year in which the income is earned.

Disposition of Disallowed Costs

When the resolution process (such as the Initial and Final Determination process) results in a determination by the awarding agency which identifies the disallowance of expenditures for WtW funds not expended in accordance with the Act, a debt is established. The awarding agency is expected to collect that debt. The preferred corrective action for disallowed costs from WtW funds is nonfederal cash repayment either as a lump sum or as installments. Stand-in costs may also be used to offset disallowed costs (*WtW Financial Management TAG*, page 17-11).

The DOL regulations Title 29 CFR 97.52 and 95.73 provide the requirements for the collection of any amount due the awarding agency. Thus, States and other recipients must hold subrecipients responsible for WtW funds received through a grant and may ultimately hold units of local government and other subrecipients liable for disallowed costs.

ACTION:

Bring this directive to the attention of all affected staff and all subgrantees.

INQUIRIES:

Please direct inquiries about this directive to Dave Rexus, Financial Management Unit, at (916) 654-8502 or Martha Overman, at (916) 657-2744.

/S/ JIM CURTIS
Chief

Attachment is available on the Internet:

[WtW Grant Program Closeout Guide](#) (PDF)